

Albania's Agricultural Outlook

by Nicholas Wheeler, Central and Eastern Europe Business Information Center

Off the shores of the Adriatic sea, the small nation of Albania continues its move forward towards increased economic growth. The calm sea breezes and mild, temperate weather provide a unique climate in which various agricultural products flourish. As a main component of Albania's economy, agriculture accounts for over half of the nation's gross domestic product (GDP) and Albanian leaders continue to underscore its importance in the overall transformation of the nation's economy.

Current Trends in Agriculture

According to Myhidin Llagami, an agricultural statistician with the Albanian National Institute of Statistics, there are three basic trends to Albanian agriculture. First, there has been a collapse of the production of "industrial agricultural" products, i.e., wheat, cotton and rice. Under collectivized agriculture, most farms had been producing large quantities of wheat, with nearly 200,000 hectares of wheat being planted annually. However, production has dropped nearly every year with the latest estimates falling to around 92,000 hectares. In 1970, Albania's farmers planted 22,000 hectares of cotton but by 1994 no cotton was planted. Similarly, rice production fell from 3,000 hectares in 1990 to zero by 1998.

In June 2001, Agriculture Minister Lufter Xhuvëli highlighted the second trend of Albanian agriculture by announcing an expected increase in the livestock sector. He also said that the agricultural trade balance would improve by more than \$50 million as another good farming year would make more production available for sale abroad. The substantial increase in the livestock production sector has affected the demand for forage crops, particularly alfalfa. Economists estimate that forage acreage accounts for more than thirty percent of all land used for agricultural purposes, and in 1998 forage production reached 3.8 million tons.

According to Llagami, the third trend in Albanian agriculture is a dramatic increase in vegetable production, specifically potatoes and beans. In 1998, the country harvested 145 tons of potatoes (increase of 81 percent from 1990) and 23,000 tons of dried beans, a 64 percent increase.

Problems Facing Continued Growth

Although the agriculture sector has been recovering from the 1997 fallout, many analysts agree that future growth will

be difficult to sustain. Llazar Kora, the European Commission (EC) Delegation Program Manager, outlines five factors that may contribute to limit the growth of the agricultural sector. First, many Albanian farms are incredibly small and fragmented. Kora estimates that the average farm is 1.1 hectares in area, and fragmented into three or four separate parcels. Each of these parcels has to be worked by hand, thereby limiting the amount of commercial output. This fragmentation also causes a dramatic increase in production costs. Another problem resulting from the size of Albanian farms is the inability to ensure product standardization. Many companies import beef or other products from abroad because it is too difficult to find a consistent local product. Lack of communication among small Albanian farms is making it increasingly difficult for large scale producers to buy local products. In order to purchase products such as barley or alfalfa, large producers have to enter into contracts with literally hundreds of farmers. Finally, the lack of formal infrastructure, including roads and irrigation systems, also limits the amount of production that could be potentially exported.

Opportunities for the United States

Despite the recent growth of Albanian's domestic agricultural output, limited opportunities for U.S. exports do exist. The greatest potential export is wheat. As stated earlier, Albania's wheat production has continued to fall since the end of collectivization, while domestic demand has seen an increase. However, wheat exports from the U.S. face severe competition with European producers. Recently, many Albanian firms have begun to produce sunflower seed oil, causing an increased demand for sunflowers. Presently, there is no domestic sunflower supply for these firms, and demand must be satisfied by imports.

One U.S. product that has obtained a market share in Albania is chicken leg quarters. A number of Albanian entrepreneurs report strong sales of U.S. chicken quarters, thanks in part to their reasonable price and high quality. A recent study of the Albanian poultry market found that U.S. poultry leg quarters tended to outsell other types of chicken, and confirmed that the United States held a competitive price advantage.

The United States Department of Agriculture also offers various export assistance programs to countries in Southeast Europe. Such programs include, the Commodity Credit Corporation(CCC) and the Export Enhancement Program (EEP). More information about these programs may be obtained from CEEBIC.